

Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY EUR/SE:EMARCOTT:RAH

APPROVED BY EUR:REBARBOUR

EUR/SE:RCEWING

EB/OMA:TFORBORD

TREAS:RBLAKE

S/S-O:SVALERGA

-----086288 180348Z /15

P R 180259Z FEB 78

FM SECSTATE WASHDC

TO AMEMBASSY ANKARA PRIORITY

AMEMBASSY BONN PRIORITY

INFO AMEMBASSY ATHENS

AMEMBASSY BRUSSELS

AMCONSUL ISTANBUL

AMEMBASSY NICOSIA

AMEMBASSY PARIS

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EXDIS USOECD, USEEC

E.O. 11652: GDS

TAGS: EFIN, TU

SUBJECT: TURKISH-IMF NEGOTIATION

REF: (A) BONN 2988 (NOTAL); (B) BONN 2808 (NOTAL),

(C) STATE 34578 (NOTAL), (D) 77 STATE 308899

1. OFFICERS FROM DEPARTMENT, TREASURY, EXIM AND FEDERAL
RESERVE MET INFORMALLY FEBRUARY 15 IN OFFICE US EXECUTIVE
DIRECTOR WITH WOODWARD, LEADER OF IMF TEAM NEGOTIATING WITH
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TURKEY, AND WHITTOME, DIRECTOR OF IMF EUROPEAN DEPARTMENT.
FACT THAT THIS DISCUSSION TOOK PLACE SHOULD NOT BE REVEALED
TO GOT OFFICIALS OR OTHERS.

2. WOODWARD INDICATED THERE HAD BEEN NO SUBSTANTIVE CONTACT
WITH GOT SINCE FORMATION OF ECEVIT GOVERNMENT. TURKISH
ALTERNATE EXEC DIRECTOR, ON HIS RETURN FROM ANKARA, HAD

CONVEYED ORAL MESSAGE FROM MINISTER FINANCE ABOUT FEB 8
SUGGESTING GOT WOULD SOON SEEK TO RENEW NEGOTIATIONS, BUT
PROBABLY WOULD PREFER SEND SMALL TEAM TO WASHINGTON,
RATHER THAN HAVE IMF RETURN TO ANKARA. WOODWARD HAD BEEN
TELEPHONED BY MIN FIN SECGEN FEB 15 ALONG SIMILAR LINES
STRESSING HOPE FOR EARLY TURKISH POLICY DECISIONS AND
URGING IMF "REASONABLENESS" IN DEALING WITH TURKISH PROBLEMS.
WOODWARD SAID SOME INITIAL ECEVIT ECONOMIC MEASURES WERE

"DISAPPOINTING", CITING INCREASES IN MINIMUM WAGE, CIVIL
SERVICE SALARIES, BASE LEVEL FOR INCOME EXEMPT FROM TAXA-
TION AND SUPPORT PRICES FOR TOBACCO. FUND RECOGNIZES
ECEVIT GOVERNMENT POLITICAL DILEMMA AND PROBLEMS WHICH
WOULD RESULT IF IMF INSISTED ON CLEAR PUBLIC PRESENTATION
OF CONSEQUENCES OF STABILIZATION AGREEMENT. FUND, HOWEVER,
CONTINUES TO FEEL IT VITAL THAT IT RECEIVE UNAMBIGUOUS
GOT COMMITMENT ON REDUCING STATE BUDGET DEFICIT AND MODIFY-
ING EXCHANGE RATE.

3. DEPTOFF INFORMED WHITTOME AND WOODWARD OF USG TENTATIVE
THINKING ALONG LINES REF C (EXPANDED CONSULTATIVE GROUP
FOR TURKEY TO INCLUDE INTERESTED GOVERNMENTS, IFIS AND
PRIVATE BANKS WHICH COULD PERHAPS MEET IN TURKEY AT GOT
INVITATION TO REVIEW MEDIUM AND LONG TERM TURKISH ECONOMIC
NEEDS). WOODWARD INDICATED HE CONSIDERED MEDIUM AND LONG
TERM PLANNING VITAL, AND NOTED THAT LONG TERM PROJECTIONS
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FOR TURKEY COULD SIGNIFICANTLY AFFECT FORM OF SHORT TERM
PROGRAM. HE ALSO SAID SHORT TERM IMF PROGRAM, PERHAPS
COUPLED WITH SOME TYPE OF DEBT REFINANCING, WOULD ONLY
TEMPORARILY POSTPONE FURTHER DETERIORATION UNLESS SUPPORTED
BY LONGER TERM PROGRAM. HE INDICATED FUND INDEED FAVORED
SOME TYPE OF LONGER TERM PROGRAM PLANNING AND ASKED TO BE
KEPT ADVISED AS US THINKING DEVELOPS.

4. COMMENT: THE FUND'S CONCERN ABOUT THE LONGER TERM
OUTLOOK APPEARS TO BE INCONSISTENT WITH THE VIEW EXPRESSED
BY THE GERMANS (REF A) THAT A FUND PROGRAM IN CONJUNCTION
WITH A PARIS CLUB RESCHEDULING EXERCISE WILL BE SUFFICIENT.
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Message Attributes

Automatic Decaptoning: Z

Capture Date: 01 jan 1994

Channel Indicators: n/a

Current Classification: UNCLASSIFIED

Concepts: NEGOTIATIONS, LOANS, BANKS, MEETING REPORTS

Control Number: n/a

Copy: SINGLE

Draft Date: 18 feb 1978

Decaption Date: 20 Mar 2014

Decaption Note: 25 YEAR REVIEW

Disposition Action: RELEASED

Disposition Approved on Date:

Disposition Case Number: n/a

Disposition Comment: 25 YEAR REVIEW

Disposition Date: 20 Mar 2014

Disposition Event:

Disposition History: n/a

Disposition Reason:

Disposition Remarks:

Document Number: 1978STATE043463

Document Source: CORE

Document Unique ID: 00

Drafter: EMARCOTT:RAH

Enclosure: n/a

Executive Order: GS

Errors: N/A

Expiration:

Film Number: D780075-0236

Format: TEL

From: STATE

Handling Restrictions:

Image Path:

ISecure: 1

Legacy Key: link1978/newtext/t19780236/aaaabeva.tel

Line Count: 107

Litigation Code IDs:

Litigation Codes:

Litigation History:

Locator: TEXT ON-LINE, ON MICROFILM

Message ID: e6e207d4-c288-dd11-92da-001cc4696bcc

Office: ORIGIN SS

Original Classification: CONFIDENTIAL

Original Handling Restrictions: EXDIS

Original Previous Classification: n/a

Original Previous Handling Restrictions: n/a

Page Count: 2

Previous Channel Indicators: n/a

Previous Classification: CONFIDENTIAL

Previous Handling Restrictions: EXDIS

Reference: 78 BONN 2988, 78 BONN 2808, 78 STATE 34578, 77 STATE 308899

Retention: 0

Review Action: RELEASED, APPROVED

Review Content Flags:

Review Date: 17 may 2005

Review Event:

Review Exemptions: n/a

Review Media Identifier:

Review Release Date: n/a

Review Release Event: n/a

Review Transfer Date:

Review Withdrawn Fields: n/a

SAS ID: 3546764

Secure: OPEN

Status: NATIVE

Subject: TURKISH-IMF NEGOTIATION

TAGS: EFIN, TU, IMF

To: ANKARA BONN

Type: TE

vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/e6e207d4-c288-dd11-92da-001cc4696bcc

Review Markings:

Sheryl P. Walter

Declassified/Released

US Department of State

EO Systematic Review

20 Mar 2014

Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014